

AMENDING TITLE 31, UNITED STATES CODE, TO REQUIRE THE PRESIDENT TO SUBMIT WITH HIS BUDGET AN ANALYSIS OF ITS IMPACT ON INTERNATIONAL COMPETITIVENESS OF U.S. BUSINESS AND THE BALANCE OF PAYMENTS POSITION, AND AMENDING THE CONGRESSIONAL BUDGET ACT OF 1974 TO REQUIRE THAT A SIMILAR ANALYSIS BE INCLUDED IN THE REPORT OF THE COMMITTEE ON THE BUDGET OF EACH HOUSE OF CONGRESS WHICH ACCOMPANIES EACH CONCURRENT RESOLUTION ON THE BUDGET

APRIL 28, 1987.—Ordered to be printed

Mr. PEPPER, from the Committee on Rules,
submitted the following

REPORT

[To accompany H.R. 1307 which on February 26, 1987, was referred jointly to the Committees on Government Operations and Rules]

The Committee on Rules, to whom was referred the bill (H.R. 1307) to amend title 31, United States Code, to require the President to submit with his budget an analysis of its impact on international competitiveness of U.S. business and the balance of payments position, and to amend the Congressional Budget Act of 1974 to require that a similar analysis be included in the report of the Committee on the Budget of each House of Congress which accompanies each concurrent resolution on the budget, having considered the same, report favorably thereon with an amendment and recommend that the bill, as amended, do pass.

AMENDMENT

The Committee adopted the following amendment:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. PRESIDENT'S ANNUAL BUDGET SUBMISSION.

Subsection (a) of section 1105 of title 31, United States Code, is amended by inserting at the end thereof the following new paragraph:

"(26) an analysis, prepared by the Office of Management and Budget after consultation with the chairman of the Council of Economic Advisers, of the budget's impact on the international competitiveness of United States business and the United States balance of payments position and shall include the following projections, based upon the best information available at the time, for the fiscal year for which the budget is submitted—

"(A) the amount of borrowing by the Government in private credit markets;

"(B) net domestic savings (defined as personal savings, corporate savings, and the fiscal surplus of State and local governments);

"(C) net private domestic investment;

"(D) the merchandise trade and current accounts;

"(E) the net increase or decrease in foreign indebtedness (defined as net foreign investment); and

"(F) the estimated direction and extent of the influence of the Government's borrowing in private credit markets on United States dollar interest rates and on the real effective exchange rate of the United States dollar."

SEC. 2. ANNUAL CONCURRENT RESOLUTION ON THE BUDGET.

Subsection (e) of section 301 of the Congressional Budget Act of 1974 (2 U.S.C. 632(e)) is amended by "and" at the end of paragraph (8), by striking out the period and by inserting "; and" at the end of paragraph (9), and by inserting at the end thereof the following new paragraph:

"(10) an analysis, prepared after consultation with the Director of the Congressional Budget Office, of the concurrent resolution's impact on the international competitiveness of United States business and the United States balance of payments position and shall include the following projections, based upon the best information available at the time, for the fiscal year covered by the concurrent resolution—

"(A) the amount of borrowing by the Government in private credit markets;

"(B) net domestic savings (defined as personal savings, corporate savings, and the fiscal surplus of State and local governments);

"(C) net private domestic investment;

"(D) the merchandise trade and current accounts;

"(E) the net increase or decrease in foreign indebtedness (defined as net foreign investment); and

"(F) the estimated direction and extent of the influence of the Government's borrowing in private credit markets on United States dollar interest rates and on the real effective exchange rate of the United States dollar."

SEC. 3. EFFECTIVE DATE.

The amendment made by section 1 shall be effective for fiscal years 1989, 1990, 1991, and 1992, and shall be fully reflected in the budgets submitted by the President as required by section 1105(a) of title 31, United States Code, for each such fiscal year, and the amendment made by section 2 shall be effective for fiscal years 1989, 1990, 1991, and 1992.

BACKGROUND AND SUMMARY

The U.S. trade balance is powerfully influenced by budget policies. Indeed, the two deficits—budget and trade—are intimately connected. The huge Federal budget deficits of recent years in combination with relatively low domestic savings contributed to high real interest rates which, in turn, attracted foreign capital. Net capital inflows to the United States increased the demand for dollars on foreign exchange markets resulting in a substantial dollar appreciation against European currencies and the Japanese yen between 1980 and 1985. The strong dollar hurt our exports and helped their imports.

The stimulative U.S. budget deficits along with restrictive budget policies abroad led to differing rates of economic growth. While the American economy grew vigorously out of the recession of the early 1980's, the economies of Europe and Japan—which account for about 40 percent of our bilateral trade—were sluggish. Thus, markets for our exports were weak just when our appetite for imports was stimulated.

Depite the evidence that budget policies are in large part to blame for our current trade problems, there is no formal, institu-

tional device to coordinate budget and trade policies. Indeed, there is no mechanism to ensure that when Congress and the President decide on the Federal budget they will be informed of the likely effects their decisions will have on our trade balance.

H.R. 1307, introduced by Representative Pease, is intended to focus attention on trade issues at the time budget decisions are made. H.R. 1307 requires the President to submit with his budget an analysis of its impact on international competitiveness of U.S. business and the balance of payments position, and to require that a similar analysis be included in the report of the Committee on the Budget of each House of Congress which accompanies each concurrent resolution on the budget. In the introduced version, the trade impact statements would be drafted, for the President's budget, by the Council of Economic Advisers and, for the Budget Committee's report, by the Congressional Budget Office. In the reported version, those responsibilities belong to the Office of Management and Budget and the Budget Committees. The reported version also adds a sunset date; the requirements expire after 4 years.

SECTION-BY-SECTION ANALYSIS—H.R. 1307, AS AMENDED

Section 1.—Amends section 1105 of title 31, United States Code. Requires Office of Management and Budget, after consultation with the Council of Economic Advisers, to prepare an analysis of the impact of the President's budget on trade and competitiveness. The analysis would be included in the President's budget. The impact statement would include the following projections:

- A. The amount of borrowing by the federal government in private credit markets;
- B. Net domestic savings;
- C. Net private domestic investment;
- D. The current and merchandise trade accounts;
- E. The net change in foreign investment; and
- F. The direction and extent of the influence of federal borrowing on U.S. interest rates and the real exchange rate of the U.S. dollar.

Section 2.—Amends section 301 of the Congressional Budget Act of 1974 (2 U.S.C. 632(e)). Requires a trade impact analysis of the congressional budget resolution, including the projections required in section 1, to be prepared by the Budget Committees after consulting the Congressional Budget Office. The impact statement would be included in the report accompanying the budget resolution.

Section 3.—States that the measure would be effective for the fiscal year 1989, 1990, 1991 and 1992 budgets.

COMMITTEE HEARING

On April 9, 1987 the Rules Committee heard testimony on H.R. 1307 from Representative Donald J. Pease, sponsor of H.R. 1307; Dr. Beryl W. Sprinkel, Chairman, Council of Economic Advisers; Dr. Edward Gramlich, Acting Director, Congressional Budget Office; John Makin, American Enterprise Institute; and C. Fred Bergsten, Director, Institute for International Economics. The written testimony of Representative William H. Gray III, Chairman,

House Budget Committee, was submitted for the record. A Committee Print (Hearing on H.R. 1307, April 9, 1987) includes all the testimony.

The witnesses agreed that trade issues now deserve a prominent place in budget deliberations. Representative Pease asked, "It is no exaggeration to characterize the federal budget as the single most important 'competitiveness' and 'trade deficit reduction' legislation before us . . . Isn't it time this government gave due consideration in the formulation of fiscal policy to the impact of the budget on U.S. international competitiveness and the U.S. trade deficit?"

There were, however, four main objections to H.R. 1307 as an effort to give our trade problem the prominence it deserves in budget decisions:

1. Institutional concerns: Under H.R. 1307, as introduced, the Council of Economic Advisers would be responsible for writing part of the President's budget presentation and the Congressional Budget Office would be responsible for a portion of the Budget Committee's reports. Dr. Sprinkel remarked:

In my judgment, and in the judgment of Treasury Secretary Baker and Budget Director Miller, it would not be appropriate to include in the budget a "competitiveness impact statement" prepared by the Council of Economic Advisers. Preparation of the budget document is the responsibility of the Director of the Office of Management and Budget.

Dr. Gramlich said:

It may be more appropriate to have the required analyses prepared by the two Budget Committees rather than CBO.

Representative Gray, Chairman, House Budget Committee, agreed:

We would concur with CBO's recommendation that such analysis be prepared by the Budget Committee rather than CBO.

2. Timing: As introduced, H.R. 1307 would require the Council of Economic Advisers and the Congressional Budget Office to analyze the trade impact of the President's budget and the Budget Committee's resolution. Practically speaking, the Council of Economic Advisers and the Congressional Budget Office would not get the numbers on which to base their analysis until after the budget decisions were made by the President and the Budget Committees. This would further delay the budget process and, more importantly, trade considerations would remain an afterthought in budget deliberations. Dr. Bergsten made the point nicely:

Mr. Sprinkel said what we would do under Mr. Pease's amendment is take the budget and then we would derive the implications for our international competitiveness. He has it backwards. In putting together the budget and national policy, you must take critically into account what would be the implications for your international competitiveness, the trade problem.

3. Precision: H.R. 1307 calls for projections of certain matters about which economists are unsure. The measure asks for projections of the extent of the influence of Federal borrowing on interest and exchange rates, for example. The expert witnesses confessed they would be able to provide only rough qualitative estimates, not precise quantitative projections.

4. The need for legislation: Several witnesses noted that the legal landscape is littered with requirements for impact statements that reflect the concerns of the past not the present. Even without legislation, trade problems now receive attention in budget reports. It may be inappropriate to require, for all time, that trade impact be given a prominent place in budget decisions.

EXPLANATION OF THE AMENDMENT

The amendment adopted by the committee would:

1. Require the Office of Management and Budget, after consultation with the Council of Economic Advisers, to prepare the trade impact statement in the President's budget and would require the Budget Committees, after consultation with the Congressional Budget Office, to prepare the analysis in the budget resolution reports. As introduced, H.R. 1307 requires the Council of Economic Advisers and the Congressional Budget Office to prepare the statements;

2. Explain that the required analyses are based on the best information available at the time;

3. Explain that the projection of the direction and extent of the influence of Federal borrowing is an estimate; and

4. Limit to 4 years the time in which the trade impact analysis will be required.

COMMITTEE VOTE

On April 27, 1987, the Committee on Rules by voice vote, a quorum being present, ordered H.R. 1307 reported favorably to the House with an amendment.

COMMITTEE COST ESTIMATE

Clause 2(1)(3)(B) of rule XI requires each committee report to contain the statement required by section 308(a) of the Congressional Budget Act of 1974 if the measure provides new budget authority or new or increased tax expenditures. H.R. 1307 does not provide new budget authority or change tax expenditures.

Clause 7(a), rule XIII requires committees to include cost estimates in certain committee reports. Clause 7(d), rule XIII exempts the Committee on Rules from this requirement; nonetheless, the committee generally examines the costs that would be incurred in carrying out the original jurisdiction bills it considers. The committee believes the cost of implementing H.R. 1307 would be minimal. Witnesses at the committee's hearing on April 9, 1987, explained that the information is now available and could be produced in the future without additional resources.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 2(1)(3)(C) of rule XI, the committee notes that a cost estimate from the Director of the Congressional Budget Office was not received in time to be included in this report.

INFLATIONARY IMPACT STATEMENT

In compliance with clause 2(1)(4) of rule XI, the Committee on Rules finds that the enactment of H.R. 1307 would have no inflationary impact on prices and costs in the operation of the national economy.

COMMITTEE OVERSIGHT FINDING

In compliance with clause 2(1)(3)(A) of rule XI, the Committee on Rules notes that the committee held a hearing on April 9, 1987, to discuss the importance of trade considerations in budget deliberations. The committee refers to the section of this report entitled "Committee Hearing" and to the committee print (Hearing on H.R. 1307, April 9, 1987).

OVERSIGHT FINDINGS OF THE COMMITTEE ON GOVERNMENT OPERATIONS

No findings or recommendations made by the Committee on Government Operations pursuant to clause 4(c)(2) of rule X have been received by the Committee on Rules. In compliance with clause 2(1)(3)(D), no summary is included in this report.

CHANGES IN EXISTING LAW MADE BY H.R. 1307 AS REPORTED

In compliance with clause 3 of rule XII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 1105 OF TITLE 31, UNITED STATES CODE

§ 1105. Budget contents and submission to Congress

(a) On or before the first Monday after January 3 of each year (or on or before February 5 in 1986); the President shall submit a budget of the United States Government for the following fiscal year. Each budget shall include a budget message and summary and supporting information. The President shall include in each budget the following:

(1) * * *

* * * * *

(26) *an analysis, prepared by the Office of Management and Budget after consultation with the Council of Economic Advisers, of the budget's impact on the international competitiveness of United States business and the United States balance of payments position and shall include the following projections, based*

upon the best information available at the time, for the fiscal year for which the budget is submitted—

(A) the amount of borrowing by the Government in private credit markets;

(B) net domestic savings (defined as personal savings, corporate savings, and the fiscal surplus of State and local governments);

(C) net private domestic investment;

(D) the merchandise trade and current accounts;

(E) the net increase or decrease in foreign indebtedness (defined as net foreign investment); and

(F) the estimated direction and extent of the influence of the Government's borrowing in private credit markets on United States dollar interest rates and on the real effective exchange rate of the United States dollar.

* * * * *

SECTION 301 OF THE CONGRESSIONAL BUDGET ACT OF 1974

ANNUAL ADOPTION OF CONCURRENT RESOLUTION ON THE BUDGET

SEC. 301. (a) * * *

* * * * *

(e) **HEARINGS AND REPORT.**—In developing the concurrent resolution on the budget referred to in subsection (a) for each fiscal year, the Committee on the Budget of each House shall hold hearings and shall receive testimony from Members of Congress and such appropriate representatives of Federal departments and agencies, the general public, and national organizations as the committee deems desirable. Each of the recommendations as to short-term and medium-term goals set forth in the report submitted by the members of the Joint Economic Committee under subsection (d) may be considered by the Committee on the Budget of each House as part of its consideration of such concurrent resolution, and its report may reflect its views thereon, including its views on how the estimates of revenues and levels of budget authority and outlays set forth in such concurrent resolution are designed to achieve any goals it is recommending. The report accompanying such concurrent resolution shall include, but not be limited to—

(1) a comparison of revenues estimated by the committee with those estimated in the budget submitted by the President;

* * * * *

(8) information, data, and comparisons indicating the manner in which, and the basis on which, the committee determined each of the matters set forth in the concurrent resolution; [and]

(9) allocations described in section 302(a) [..], and

(10) an analysis, prepared in cooperation with the Director of the Congressional Budget Office, of the concurrent resolution's impact on the international competitiveness of United States business and the United States balance of payments position and shall include the following projections, based upon the best

ditional data, we would be unable to comply with this bill's requirement that we recommend a plan within 30 days that provides for substantial restoration of the natural quiet and experience of the park.

We recognize that noise is an aesthetic problem for some visitors to Grand Canyon. We want to provide a quality experience to our visitors. Accordingly, we recommend that overflights not be prohibited entirely, since they are very popular and they provide a park experience for those who may not be able, or may not wish, to see the park from the ground. At the same time, some restriction on overflights is appropriate to offer other visitors what they seek.

We believe that time and space zoning should be considered in order to accommodate both sets of interests. However, such zoning must be based on solid information, and that is why we are undertaking the comprehensive noise study. An additional point to be considered is that one of the principal means of access to the Havasupai Reservation, which is in the canyon itself, is by aircraft. The Havasupai have not been addressed in the bill.

The Office of Management and Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

WILLIAM P. HORN,
Assistant Secretary.

○